



Annual Report of the

**Michigan
State
Treasurer**

Fiscal Year
2003-2004

Jennifer M. Granholm, *Governor*
Jay B. Rising, *State Treasurer*

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*Note: Dollar figures in financial tables represent thousands of dollars unless indicated otherwise.
Figures may not add to totals because of rounding.*



STATE OF MICHIGAN
DEPARTMENT OF TREASURY
LANSING

JENNIFER M. GRANHOLM
GOVERNOR

JAY B. RISING
STATE TREASURER

January 2006

The Honorable Jennifer Granholm
Members of the Michigan Legislature
People of the State of Michigan

Attached for your review is the Annual Report of the Michigan State Treasurer for Fiscal Year 2003-2004. This report contains financial information regarding the State Treasurer's Common Cash Fund, Investment Portfolios and Revenues, Michigan's General Obligation Debt, Bond, and Note Payments, as well as State Administered Tax Revenues collected during FY 2004.

Sincerely,

A handwritten signature in black ink, appearing to read "Jay B. Rising".

Jay B. Rising
State Treasurer

Schedule 1



State Treasurer's Common Cash - Assets and Equities (In Thousands of Dollars)

	<u>Fiscal Year Ended September 30</u>	
	<u>2004</u>	<u>2003</u>
<u>Assets</u>		
Cash on Hand	\$ 1	\$ 1
Demand Deposits	249,695	557,573
Time Deposits - Regular	-0-	-0-
Time Deposits - Marina Loan Program	201	355
Time Deposits and Notes - Agricultural Loan Program	4,655	6,750
Prime Commercial Paper	1,672,750	1,558,938
Emergency Municipal Loans	48,870	47,882
Michigan Sugar Beet Loan Program	<u>5,000</u>	<u>5,000</u>
Total	<u>\$ 1,981,172</u>	<u>\$ 2,176,499</u>
 <u>Equities</u>		
Available Equity of Other Funds	\$ 1,779,774	\$ 1,996,188
Outstanding Warrants	<u>201,398</u>	<u>180,311</u>
Total	<u>\$ 1,981,172</u>	<u>\$ 2,176,499</u>

The accompanying notes are an integral part of the financial schedules.

Schedule 2



Investment Portfolios of Specific Funds (In Thousands of Dollars)

Fund	Short-term Investments	Government Securities	Corporate Bonds, Notes and Contracts	Equities and Mutual Funds	Real Estate and Mortgages	Alternative Investments	International Equities	FY Ended Sept. 30	
								2004 Total	2003 Total
Legislative Retirement	\$ 3,210	\$ -0-	\$ -0-	\$ 165,053	\$ -0-	\$ -0-	\$ -0-	\$ 168,263	\$ 157,169
State Police Retirement	27,890	95,458	95,999	501,035	76,438	132,259	112,429	1,041,508	975,026
State Employees' Retirement	260,324	793,716	800,882	4,567,228	723,689	1,199,581	1,020,558	9,365,978	8,860,823
Public School Employees' Retirement	1,310,458	3,085,322	3,252,306	17,684,366	2,433,331	4,812,902	3,811,046	36,389,731	33,416,954
Judges' Retirement	8,713	26,851	26,708	128,971	26,141	25,003	25,392	267,780	253,905
Michigan Veterans' Trust	8,624	30,259	3,939	4,889	-0-	-0-	-0-	47,711	47,952
Game and Fish Protection	32,186	248	1,294	-0-	-0-	-0-	-0-	33,728	33,341
Game and Fish Protection Trust	38,224	15,497	1,008	42,598	-0-	-0-	-0-	97,327	93,852
Michigan Civilian Conservation Corps	6,785	9,330	4,197	-0-	-0-	-0-	-0-	20,312	20,434
Michigan Natural Resources Trust	151,748	49,032	65,096	56,384	-0-	-0-	-0-	322,260	285,739
Michigan State Parks Endowment	57,413	25,756	20,836	25,903	-0-	-0-	-0-	129,908	125,714
Children's Trust	7,466	12,933	1,400	-0-	-0-	-0-	-0-	21,800	21,867
Michigan Nongame Fish and Wildlife	2,185	2,486	1,247	575	-0-	-0-	-0-	6,493	6,553
State Lottery	6,736	600,686	-0-	-0-	-0-	-0-	-0-	607,422	703,039
Michigan Higher Education Assistance Authority	1,478	-0-	-0-	-0-	-0-	-0-	-0-	1,478	1,494
Michigan Education Trust	183,838	323,064	335,462	63,151	-0-	-0-	-0-	905,515	894,559
Mackinac Bridge Authority	8,043	17,516	-0-	-0-	-0-	-0-	-0-	25,559	-0-
Gifts, Bequests, and Deposits Investment	27,394	11,734	-0-	92	-0-	-0-	-0-	39,220	54,830
Totals	\$2,142,715	\$5,099,890	\$4,610,374	\$23,240,244	\$3,259,600	\$6,169,744	\$4,969,425	\$49,491,993	\$45,963,250

The accompanying notes are an integral part of the financial schedules.

Schedule 3



Investment Revenues (In Thousands of Dollars)

Fund	Common Cash	Specific Funds	Total Revenues Fiscal Year Ended September 30	
			2004	2003
General	\$ (10,258)		\$ (10,258)	\$ (5,891)
Counter - Cyclical Budget and Economic Stabilization	(2)		(2)	1,821
Game and Fish Protection	387	\$ 21	408	488
State Aeronautics	381		381	300
Michigan Veterans' Trust	60	2,193	2,253	2,101
State Trunkline	6,198		6,198	6,002
Michigan State Waterways	516		516	736
Blue Water Bridge	249		249	243
Michigan Transportation	2,874		2,874	3,688
Comprehensive Transportation	97		97	325
School Aid Fund	483		483	- - -
Marine Safety	43		43	55
Game and Fish Protection Trust	298	4,415	4,713	2,885
State Park Improvement	85		85	159
Forest Development	134		134	143
Recreation Bond - Local Projects	7		7	32
Michigan Civilian Conservation Corps	19	633	652	843
Michigan Natural Resources Trust	1,371	6,958	8,329	7,837
Michigan State Parks Endowment	514	4,351	4,865	3,786
Safety Education and Training	54		54	53
Clean Michigan Initiative Bond - Local Projects	83		83	29
Environmental Protection Bond	16		16	(211)
Clean Michigan Initiative Bond - Environment Projects	514		514	(550)
Bottle Deposits	1,382		1,382	1,709
State Construction Code	113		113	159
Children's Trust	24	780	804	669
Homeowner Construction Lien Recovery	11		11	22
Michigan Nongame Fish and Wildlife	10	249	260	263
1989 State Trunkline Bond Proceeds	11		11	27
1992 State Trunkline Bond Proceeds	133		133	135
1992 Comprehensive Transportation Bond Proceeds	(0)		(0)	18
1994 State Trunkline Bond Proceeds	5		5	52
Michigan Merit Award Trust	889		889	738
Tobacco Settlement Trust	644		644	1,042
2001 Build Michigan III Bond Proceeds	1,592		1,592	2,256
2001 Build Michigan II - GARVEE Bond Proceeds	376		376	2,046
Comprehensive Transportation Bond Proceeds	1,162		1,162	1,245
Michigan Underground Storage Tank Financial Assurance	6		6	1
Liquor Purchasing Revolving	1,127		1,127	1,099
State Lottery	960	13,400	14,360	24,535
State Sponsored Group Insurance	3,025		3,025	2,835
State Water Pollution Control Loan	30		30	129

Schedule 3



Continued. . . (In Thousands of Dollars)

Fund	Common Cash	Specific Funds	Total Revenues Fiscal Year Ended September 30	
			2004	2003
Combined State Trunkline Bond and Interest Redemption	\$ 7	\$	\$ 7	\$ 6
Combined Comprehensive Transportation Bond and Interest Redemption	1		1	1
Michigan Underground Storage Tank Financial Assurance Finance Authority	32		32	35
Recreation & Environmental Protection Bond	8		8	6
State Park Revenue Bond Fund	17		17	- - -
Clean Michigan Initiative Bond - State Projects	91		91	57
Recreation Bond - State Projects	6		6	20
Legislative Retirement	38	19,497	19,535	24,705
State Police Retirement	33	120,473	120,506	135,298
State Employees' Retirement	308	1,092,097	1,092,404	1,240,425
Public School Employees' Retirement	907	4,226,477	4,227,384	4,622,454
Judges' Retirement	8	29,159	29,167	34,929
Michigan Employment Security Act Contingent	191		191	271
Vietnam Veterans' Memorial Monument	1		1	5
Bankrupt Self-Insured Corporations' Workers' Disability #14	(0)		(0)	3
Bankrupt Self-Insured Corporations' Workers' Disability #12	(0)		(0)	7
Children's Institute Trust	1		1	1
Gifts, Bequests, and Deposits Investment	401	557	958	1,099
Silicosis, Dust Disease, and Logging Industry Compensation	51		51	30
Second Injury	254		254	211
Hospital Patients' Trust	3		3	4
Self-Insurers' Security	146		146	88
State Employees' Deferred Compensation I (457)	5		5	4
State Employees' Deferred Compensation II (401(k))	4		4	(1)
State Employees' Defined Contribution Plan	(1)		(1)	(4)
Environmental Quality Deposits	37		37	61
Utility Consumer Representation	33		33	36
Bankrupt Self-Insured Corporations' Workers' Disability #15	- - -		- - -	1
Transportation Related Trust	237		237	43
Michigan Higher Education Assistance Authority	- - -	18	18	35
Mackinac Bridge Authority	- - -	258	258	- - -
Michigan Education Trust	- - -	37,167	37,167	41,150
TOTALS	\$18,440	\$5,558,705	\$5,577,145	\$6,164,834

The accompanying notes are an integral part of the financial schedules.

Notes to Financial Schedules



NOTE 1: SIGNIFICANT ACCOUNTING POLICIES

a. Report Presentation

The accompanying financial schedules report the assets and equities of the State Treasurer's common cash (Schedule 1), investment portfolios of specific funds (Schedule 2), and investment revenues of the common cash and specific funds (Schedule 3).

The State Treasurer's common cash and specific funds are accounted for in various funds of the State of Michigan and reported in the *State of Michigan Comprehensive Annual Financial Report*.

The *State of Michigan Comprehensive Annual Financial Report* provides more extensive general disclosures regarding the State Treasurer's common cash and deposits and investments. These disclosures provide information regarding market values and risk levels of the deposits and investments.

Common Cash Pool. The State Treasurer, under the authority provided by state statute, manages the State's common cash pool. The pooling of cash allows the State Treasurer to invest money not needed to pay immediate obligations so that investment earnings on available cash are maximized. Pool investments are not segregated by fund; rather, each contributing fund's balance is treated as equity in the common cash pool.

Investments. The State Treasurer, under authority provided by state statutes, manages most investments for the State of Michigan.

Short-Term Investments: This category includes each of the listed fund's individually held short-term investments by classification, the fund's equity in the State Treasurer's common cash pool, and receivables and payables pertaining to security trades not yet settled at fiscal year-end.

Alternative Investments: These investments consist of limited partnerships.

Derivatives: These are financial instruments whose value is derived from, or based on, an underlying security, asset, reference rate or index. The State Treasurer only uses derivative securities or related contractual agreements to hedge assets held or to replicate asset returns. Derivatives are not used for speculation or to leverage the investment portfolios.

The State Treasurer does not employ the use of derivatives in the investment of the State Treasurer's common cash pool or the investment of trust funds other than the pension trust funds.

The State Treasurer invests in derivatives as detailed below:

- *U.S. Passive Equities (Derivatives):* These investments are equity index hedge and replication of return strategies and represent 0.2 percent of the Common Stock investment category.

The pension trust fund portfolios have been invested from time to time in derivative securities and contracts related to U.S. passive equity funds. On September 30, 2004 and September 30, 2003 these strategies comprised approximately 0.3 percent and 0.1 percent of the total pension trust funds, respectively.

- *S&P 600 Small Cap Index (Derivatives):* These investments are swap agreements and represent 0.4 percent of the Common Stock investment category.
- *International Equity Swaps (Derivatives):* These investments are swap agreements and represent 89.7 percent of the International Equities investment category.

Swap agreements, which are tied to stock market indices in the United States and twenty-two foreign countries, are the core of the International Equity Market investment strategy and the S&P 600 Small Cap investment strategy. These contractual agreements are made with large global banks and brokerage firms, and represented approximately 9.7 percent and 8.8 percent of the total pension trust funds on September 30, 2004 and 2003 respectively.

Separately issued financial reports including financial statements and required supplementary information are issued for the pension trust funds. These reports provide more extensive disclosures for derivatives.

b. Basis of Accounting

Schedule 1, *State Treasurer's Common Cash - Assets and Equities*, is presented on the cash basis of accounting. (The *State of Michigan Comprehensive Annual Financial Report's* disclosure regarding the State Treasurer's common cash includes \$1.6 million in interest receivable, because it is presented on the modified accrual basis of accounting.) Schedule 2, *Investment Portfolios of Specific Funds*, and Schedule 3, *Investment Revenues*, are reported on the accrual basis of accounting.



These financial schedules are not intended to constitute a complete financial presentation of either the Department of Treasury or the State's General Fund in accordance with accounting principles generally accepted in the United States of America.

c. Valuations of Investments

Schedule 1. All investments are reported at cost.

Demand deposits represent the account balance reported on bank statements and include deposits which are in the process of being collected through the banking system.

The market value of prime commercial paper at September 30, 2004 and 2003 was \$1,672.8 and \$3,154.6 million, respectively.

Schedule 2. Methods used to value investments:

All investments are reported at fair value, except for short-term investments, which are reported at cost. Securities traded on a national exchange are valued at last reported sales price. The fair value of real estate investments is based on independent appraisals. Investments that do not have an established market are reported at estimated fair value.

d. Securities Lending Transactions

Under the authority of Act No. 314 of the Public Acts of 1965, the State lends securities to broker-dealers and other entities for collateral that will be returned for the same securities in the future. One of the State's custodial banks manages the securities lending program and receives securities as collateral. The custodian is not liable for any losses unless there is negligence or willful misconduct on its part. The collateral securities cannot be pledged or sold by the State and the State receives collateral in the amount of 102 percent of the market value of the securities lent. The types of securities lent are government securities, corporate bonds and equities, and the collateral received is cash, cash equivalents, and U.S. Treasury securities. There is no restriction on the amount of securities lent. Because the loans were terminable at will, their duration did not generally match the duration of the investments made with cash collateral. At September 30, 2004 and 2003 the State had no outstanding credit risk. The market value of the securities lent at September 30, 2004 and 2003 was \$3,093.4 and \$1,494.7 million, respectively.

NOTE 2: CHANGE IN REPORTING OF FUNDS

Effective for FY ended September 30, 2003:

Recreation & Environmental Protection Bond and State Employees' Deferred Compensation I (457) were added to Schedule 3. Bankrupt Self-Insured Corporations' Workers' Disability #1 was removed from Schedule 3.

Effective for FY ended September 30, 2004:

Mackinac Bridge Authority was added to Schedules 2 and 3. School Aid Fund and State Park Revenue Bond Fund were added to Schedule 3. Federal Housing Administration Mortgages Escrow was removed from Schedules 2 and 3. Bankrupt Self- Insured Corporations' Workers Disability #13, 1992 State Trunkline Critical Bridge Bond Proceeds, and 1996 State Trunkline Bond Proceeds were removed from Schedule 2.

In July 2004, four state retirement systems' (State Police, State Employees', Public School Employees' and Judges) investments were contributed to an internal investment pool structure. Investments on Schedule 2 for these systems represent a pro rata share based on ownership of the investment pool.

Cash and Investments

The State Treasurer manages the State's cash so funds not needed to pay immediate obligations are invested to earn income. Investments include time certificates of deposit and prime commercial paper as detailed in Schedule 1, *State Treasurer's Common Cash - Assets and Equities*.

Statutes also allow the State Treasurer to loan funds from the common cash pool to financially troubled municipalities in Michigan and to make common cash available to Michigan farmers experiencing financial stress.

The common cash fund pools the cash balances of certain State funds until paid as provided by law.

Manageable common cash includes the following funds:

- General
- School Aid
- Budget Stabilization
- Special Revenue and Enterprise
- Internal Service
- Trust and Agency

The State Treasurer is authorized to transfer cash on hand and on deposit among the various funds in the state Treasury, except funds established to pay debts service on notes and bonds, in such a manner as to best manage the available cash, maximize short-term investment earnings and ensure that State obligations are paid when due.

Table 1



Investment Revenues for Fiscal Years 1995-2004 (In Thousands of Dollars)

Fiscal Year	General Fund Common Cash Earnings (Expenses) ^(a)	Public School Employees' Retirement	State Employees' Retirement	State Police Retirement	Judges' Retirement	Other Investment Funds	Totals ^(b)
2004	\$ (10,258)	\$ 4,227,384	\$ 1,092,404	\$ 120,506	\$ 29,167	\$ 117,941	\$ 5,577,145
2003	(5,891)	4,622,454	1,240,425	135,298	34,929	137,619	6,164,834
2002	(1,664)	(3,652,504)	(985,906)	(106,066)	(25,747)	211,087	(4,560,800)
2001	66,572	(4,511,763)	(1,247,748)	(136,149)	(30,726)	380,968	(5,478,846)
2000	72,497	4,818,123	1,378,453	146,279	44,467	327,887	6,787,706
1999	20,690	5,124,436	1,482,096	158,055	53,345	605,413	7,444,035
1998	(17,192)	2,443,513	718,011	76,461	26,467	497,425	3,744,685
1997	(72,004)	5,794,850	1,699,093	178,693	61,992	738,364	8,400,988
1996	(64,749)	3,325,848	965,921	101,983	35,277	759,728	5,124,008
1995	(67,292)	1,381,419	407,813	41,579	14,731	448,830	2,227,080

(a)

Fiscal Year Ending	Total State Treasurer's Common Cash Fund and General Obligation Note Retirement Fund Earnings	Distribution of Earnings to Retirement and Other Funds Reported in Their Earnings	General Fund Common Cash Earnings (Expenses)
2004	\$ 18,440	\$ 28,699	\$ (10,258)
2003	27,892	33,783	(5,891)
2002	69,894	71,558	(1,664)
2001	247,607	181,035	66,572
2000	277,698	205,201	72,497
1999	163,811	143,121	20,690
1998	143,222	160,414	(17,192)
1997	100,067	172,071	(72,004)
1996	99,461	164,210	(64,749)
1995	97,125	164,417	(67,292)

(b) Effective October 1, 1997, revenues for nonretirement funds include unrealized gains and losses. Retirement funds were reported at fair value effective October 1, 1996.

Table 2

Statement of Actual Available Month-End Common Cash (In Millions of Dollars)

Month	Combined General Fund and School Aid Fund	Budget Stabilization Fund	Other Funds	Manageable Common Cash ^(a)	Retirement Funds	Bond Funds ^(b)	Total Common Cash
October 2003	\$ 248.5	\$ 0.0	\$ 1,792.2	\$ 2,040.7	\$ 116.5	\$ 426.2	\$ 2,583.4
November	370.2	0.0	1,666.9	2,037.1	183.4	394.9	2,615.4
December	189.5	0.0	1,695.3	1,884.8	277.8	363.7	2,526.3
January 2004	72.2	0.0	1,741.6	1,813.8	126.1	353.3	2,293.2
February	160.3	0.0	1,870.3	2,030.6	317.7	341.2	2,689.5
March	(339.5)	0.0	1,777.2	1,437.7	133.4	330.8	1,901.9
April	(514.7)	0.0	2,013.1	1,498.4	210.5	514.8	2,223.7
May	(891.7)	0.0	2,005.6	1,113.9	99.7	336.6	1,550.2
June	(1,258.9)	0.0	2,011.3	752.4	219.1	308.1	1,279.6
July	(1,188.9)	0.0	2,071.2	882.3	111.7	241.2	1,235.2
August	(1,234.8)	0.0	2,077.9	843.1	95.7	212.1	1,150.9
September	(897.6)	0.0	2,077.2	1,179.6	197.5	402.7	1,779.8

(a) Manageable Common Cash includes the General, School Aid, Budget Stabilization, Special Revenue, Enterprise, Internal Service, Trust, Agency, and State Building Authority Advance Financing Funds.

(b) Includes Debt Service, Capital Projects, and Bond Funds.

Table 3

Common Cash History (In Millions of Dollars)

Fiscal Year Ended	Combined General Fund and School Aid Fund	Budget Stabilization Fund	Other Funds	Manageable Common Cash ^(a)	Retirement Funds	Bond Funds ^(b)	Total Common Cash
September 1995	\$ (342.6)	\$ 1,083.4	\$ 1,369.1	\$ 2,109.9	\$ 586.0	\$ 352.2	\$ 3,048.1
September 1996	(700.0)	1,173.4	1,387.8	1,861.2	298.2	205.2	2,364.6
September 1997	(493.9)	1,152.4	1,339.6	1,998.1	133.4	143.5	2,275.0
September 1998	136.0	1,000.5	1,426.3	2,562.8	140.3	264.2	2,967.3
September 1999	1,068.3	1,222.5	1,423.9	3,714.7	142.9	130.2	3,987.8
September 2000	1,631.6	1,264.4	1,996.1	4,892.1	186.2	153.4	5,231.7
September 2001	1,091.5	994.2	1,782.5	3,868.2	143.1	578.2	4,589.5
September 2002	454.7	145.2	1,776.3	2,376.2	121.8	518.2	3,016.2
September 2003	(490.1)	0.0	1,915.8	1,425.7	152.2	418.3	1,996.2
September 2004	(897.6)	0.0	2,077.2	1,179.6	197.5	402.7	1,779.8

(a) Manageable Common Cash includes the General, School Aid, Budget Stabilization, Special Revenue, Enterprise, Internal Service, Trust, Agency, and State Building Authority Advance Financing Funds.

(b) Includes Debt Service, Capital Projects, and Bond Funds.

Table 4



State Treasurer's Common Cash Fund, Cash Balances and Transactions by Fund (In Thousands of Dollars)

Fund	Cash Balances 10-1-03	Receipts (a)	Disburse- ments (b)	Transfers In	Transfers Out	Cash Balances 9-30-04	Warrants Outstanding	Available Balances 9-30-04
GENERAL AND SCHOOL AID								
General	\$ 845,391	\$29,953,124	\$29,766,836	\$ 1,458,019	\$ 1,806,301	\$ 683,397	\$113,277	\$ 570,120
School Aid	(1,243,295)	10,921,824	12,310,343	1,168,491	3,167	(1,466,491)	1,228	(1,467,719)
Total General and School Aid	\$ (397,905)	\$40,874,948	\$42,077,179	\$ 2,626,510	\$ 1,809,469	\$ (783,095)	\$114,504	\$ (897,599)
BUDGET STABILIZATION								
Counter-Cyclical Budget and Economic Stabilization	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ -0-
Total Budget Stabilization	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ -0-
SPECIAL REVENUE								
Game and Fish Protection	\$ 32,585	\$ 53,060	\$ 62,546	\$ 10,696	\$ 1,608	\$ 32,186	\$ 200	\$ 31,986
Michigan Employment Security Act-Administration	(12,362)	129,275	128,376	7,765	2,175	(5,872)	169	(6,041)
State Aeronautics	14,240	173,973	176,706	9,674	1,838	19,343	927	18,415
Michigan Veterans' Trust	4,844	23,822	19,013	-0-	31	9,622	4	9,618
State Trunkline	557,026	681,225	1,281,939	852,324	86,942	721,694	12,648	709,047
Michigan State Waterways	46,449	12,228	33,146	14,748	386	39,893	125	39,768
Blue Water Bridge	18,576	13,801	9,070	35	2,506	20,836	-0-	20,836
Michigan Transportation	186,685	2,114,314	1,068,838	3,027	1,046,429	188,759	3,549	185,210
Comprehensive Transportation	56,889	97,534	251,240	167,957	29,287	41,852	302	41,550
Marine Safety	2,854	5,296	4,863	-0-	1,128	2,160	3	2,157
Game and Fish Protection Trust	29,072	75,201	45,350	-0-	10,706	48,216	-0-	48,216
State Park Improvement	11,261	34,308	36,361	-0-	1,269	7,939	121	7,818
Forest Development	8,803	28,414	23,336	-0-	834	13,048	76	12,972
Michigan Civilian Conservation Corps	346	11,599	5,155	-0-	5	6,785	18	6,767
Michigan Natural Resources Trust	141,502	234,342	188,076	-0-	10,034	177,735	80	177,655
Michigan State Parks Endowment	40,227	82,326	63,122	10,000	25	69,406	92	69,313
Safety Education and Training	5,072	7,033	6,579	-0-	33	5,493	10	5,483
Bottle Deposits	120,281	26,403	35,750	15,002	143	125,793	107	125,686
State Construction Code	9,754	12,893	13,950	-0-	175	8,522	11	8,511
Children's Trust	290	17,163	8,986	-0-	3	8,465	10	8,455
State Casino Gaming	9,116	30,077	15,531	-0-	8,778	14,884	11	14,872
Homeowner Construction Lien Recovery	1,082	403	759	-0-	14	712	18	694
Michigan Nongame Fish and Wildlife	566	3,504	1,882	-0-	3	2,185	29	2,157
Michigan Merit Award Trust	86,653	205,846	151,515	1	66,926	74,058	53	74,005
Tobacco Settlement Trust	15,858	68,968	78,094	-0-	1,000	5,732	45	5,687
Michigan Underground Storage Tank Financial Assurance (MUSTFA)	582	8	277	1,501	-0-	1,814	3	1,810
State Building Authority Advance Financing	(79,907)	172,812	126,251	471	-0-	(32,876)	51	(32,927)
Michigan Strategic	130,976	128,590	184,667	-0-	-0-	74,899	1,116	73,783
Total Special Revenue	\$1,439,319	\$4,444,417	\$4,021,375	\$1,093,201	\$1,272,278	\$1,683,284	\$19,779	\$1,663,505

Table 4



Continued... (In Thousands of Dollars)

Fund	Cash Balances 10-1-03	Receipts (a)	Disburse- ments (b)	Transfers In	Transfers Out	Cash Balances 9-30-04	Warrants Outstanding	Available Balances 9-30-04
BOND, DEBT SERVICE AND CAPITAL PROJECTS								
Recreation Bond - Local Projects	\$ 1,182	\$ 7	\$ 469	\$ -0-	\$ 559	\$ 160	\$-0-	\$ 160
Clean Michigan Initiative Bond - Local Projects	13,496	83	9,581	-0-	4	3,994	69	3,925
Clean Michigan Initiative Bond - Environmental Projects	63,441	16,107	36,636	1	15,020	27,894	204	27,689
Environmental Protection Bond	12,074	38,811	24,661	-0-	-0-	26,224	170	26,053
School Bond Loan	4,170	150,213	119,606	-0-	34,215	562	-0-	562
Great Lakes Water Quality Bond Fund	-0-	-0-	8	-0-	-0-	(8)	-0-	(8)
1989 State Trunkline Bond Proceeds	2,187	11	311	133	1,263	757	-0-	757
1992 State Trunkline Bond Proceeds	9,813	2,212	6,867	4	2	5,160	-0-	5,160
1992 State Trunkline Critical Bridge Bond Proceeds	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-
1992 Comprehensive Transportation Bond Proceeds	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-
1994 State Trunkline Bond Proceeds	3,844	225	3,652	3	5	415	-0-	415
1996 State Trunkline Bond Proceeds	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-
2001 Build Michigan III Bond Proceeds	131,243	228,376	118,272	5,808	2,728	244,426	88	244,338
2001 Build Michigan II - GARVEE Bond Proceeds	56,277	9,370	58,259	-0-	7,389	(0)	-0-	(0)
Comprehensive Transportation Bond Proceeds	106,488	1,162	22,373	-0-	251	85,026	-0-	85,026
Combined State Trunkline Bond and Interest Redemption	347	113,186	188,657	75,186	-0-	61	-0-	61
Combined Comprehensive Transportation Bond and Interest Redemption	-0-	-0-	30,279	30,279	-0-	-0-	-0-	-0-
Michigan Underground Storage Tank Financial Assurance Finance Authority	6,181	59,954	60,295	-0-	1,501	4,339	-0-	4,339
Recreation and Environmental Protection Bond Redemption	1,092	8	56,783	56,792	-0-	1,110	-0-	1,110
School Loan Bond Redemption	-0-	133,960	225,289	91,329	-0-	-0-	-0-	-0-
State Park Revenue Bond	43	-0-	42	-0-	-0-	2	-0-	2
Clean Michigan Initiative Bond - State Projects	12,819	91	9,913	-0-	2	2,996	18	2,978
Recreation Bond - State Projects	861	6	417	-0-	320	130	-0-	130
Total Bond, Debt Service and Capital Projects	\$ 425,560	\$ 753,781	\$ 972,368	\$ 259,533	\$ 63,258	\$ 403,248	\$ 550	\$ 402,698
ENTERPRISE								
Liquor Purchasing Revolving	\$ 55,327	\$ 687,270	\$ 538,354	\$ -0-	\$ 144,180	\$ 60,064	\$ 6,677	\$ 53,387
State Lottery	6,493	1,157,563	484,078	-0-	673,241	6,736	1,757	4,980
Michigan Higher Education Assistance Authority	-0-	1,535	1,532	-0-	-0-	3	-0-	3
Michigan State Housing Development Authority	-0-	134,163	134,166	-0-	-0-	(3)	449	(452)
State Water Pollution Control Loan	40	108,686	108,497	-0-	-0-	229	-0-	229
Total Enterprise	\$ 61,860	\$ 2,089,217	\$ 1,266,628	\$ -0-	\$ 817,421	\$ 67,029	\$ 8,883	\$ 58,146
INTERNAL								
Correctional Industries Revolving	\$ 1,532	\$ 36,483	\$ 36,381	\$ -0-	\$ 205	\$ 1,429	\$ 249	\$ 1,180
Motor Transport Revolving	(11,714)	58,694	53,838	-0-	57	(6,914)	10	(6,924)
Office Services Revolving	(7,522)	120,160	117,360	-0-	120	(4,842)	267	(5,109)
Information Technology Internal Service	34,170	451,424	459,102	-0-	795	25,697	1,790	23,907
Risk Management	8,637	46,832	47,150	-0-	8	8,310	-0-	8,310
State Sponsored Group Insurance	263,153	940,490	952,882	-0-	5	250,756	1,273	249,484
Total Internal	\$ 288,256	\$ 1,654,083	\$ 1,666,713	\$ -0-	\$ 1,190	\$ 274,437	\$ 3,589	\$ 270,848

Table 4



Concluded... (In Thousands of Dollars)

Fund	Cash Balances 10-1-03	Receipts (a)	Disburse- ments (b)	Transfers In	Transfers Out	Cash Balances 9-30-04	Warrants Outstanding	Available Balances 9-30-04
RETIREMENT								
Legislative	\$ 1,169	\$ 54,198	\$ 51,919	\$ -0-	\$ -0-	\$ 3,448	\$ 31	\$ 3,417
State Police	3,988	861,994	857,595	-0-	1	8,386	224	8,162
State Employees'	41,458	8,080,557	8,084,659	-0-	12	37,345	2,790	34,555
Public School Employees'	116,629	27,742,489	27,702,778	-0-	62	156,278	7,006	149,273
Judges'	1,142	238,758	237,744	-0-	-0-	2,155	47	2,108
Total Retirement	\$ 164,385	\$ 36,977,996	\$ 36,934,695	\$ -0-	\$ 74	\$ 207,612	\$ 10,098	\$ 197,515
TRUST AND AGENCY								
Michigan Employment Security Act Contingent	\$ 13,685	\$ 13,003	\$ 1,034	\$ -0-	\$ 21,097	\$ 4,557	\$ -0-	\$ 4,557
Vietnam Veterans' Memorial Monument	348	84	11	-0-	-0-	421	-0-	421
Children's Institute Trust	105	1	4	-0-	-0-	102	-0-	102
Abandoned and Unclaimed Property (Escheats)	60,274	54,305	72,806	-0-	-0-	41,773	1,091	40,683
Gifts, Bequests, and Deposits Investment	43,347	111,189	127,142	-0-	-0-	27,394	781	26,613
Silicosis, Dust Disease, and Logging Industry Compensation	5,392	431	2,657	-0-	11	3,155	51	3,104
Assigned Claims Plan	16,457	84,679	55,430	-0-	690	45,016	40,824	4,192
Second Injury	27,725	7,106	16,979	-0-	25	17,828	220	17,608
Hospital Patients' Trust	215	2,035	2,032	-0-	-0-	218	20	199
Self-Insurers' Security	14,840	12,277	12,603	-0-	9	14,505	463	14,042
State Employees' Deferred Comp. I (457)	283	51,193	51,054	-0-	-0-	422	-0-	422
State Employees' Deferred Comp. II (401k)	296	99,883	99,762	-0-	-0-	416	-0-	416
State Employees' Defined Contribution Plan	(35)	65,488	65,477	-0-	-0-	(24)	-0-	(24)
Special Assessment Deferment	551	299	238	-0-	-0-	611	-0-	611
Environmental Quality Deposits	3,931	150	1,206	-0-	-0-	2,875	-0-	2,875
Insurance Carrier Deposits	1,127	49,660	49,567	-0-	-0-	1,220	154	1,066
Utility Consumer Representation	2,811	1,277	956	-0-	4	3,128	3	3,125
Transportation Related Trust	3,669	279,478	324,390	7,044	763	(34,962)	387	(35,349)
State Treasurer's Escrow and Paying Agent	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-
Total Trust and Agency	\$ 195,022	\$ 832,537	\$ 883,348	\$ 7,044	\$ 22,599	\$ 128,656	\$ 43,994	\$ 84,663
GRAND TOTALS	\$2,176,498	\$ 87,626,980	\$ 87,822,306	\$3,986,288	\$3,986,288	\$1,981,172	\$201,397	\$1,779,775

(a) Receipts include \$20,193 million of securities sold and matured.

(b) Disbursements include \$20,306 million of securities purchased.

Table 5



Demand Depositories as of September 30, 2004 (In Thousands of Dollars)

City	Depository Bank	Deposits ^(a)	City	Depository Bank	Deposits ^(a)
Adrian	Sky Bank	\$ 147	Ishpeming	Peninsula Bank	\$ 44
	Bank of Lenawee	98	Ithaca	Commercial National Bank	5
Alma	Firstbank, Alma	121	Kalamazoo	National City Bank	128
Bad Axe	Signature Bank	59	L'Anse	Commercial National Bank	55
Baldwin	Lake Osceola State Bank	82	Lansing	Standard Federal Bank-Credit Card	743
Benton Harbor	Chemical Bank Shoreline	612		Standard Federal Bank-Main Acct.	16,197
Beulah	Central State Bank	50	Lapeer	Lapeer County Bank and Trust	105
Cadillac	Chemical Bank - West	1,109	Manistique	North Country Bank	203
Caro	Independent Bank - East Michigan	2		State Savings Bank	16
Cheboygan	Citizens National Bank	109	Marquette	Wells Fargo Bank, Michigan	1,986
Chelsea	Chelsea State Bank	67	Mason	Mason State Bank	2,209
Coldwater	Century Bank and Trust	107	Midland	Chemical Bank and Trust	2,309
	Southern Michigan National Bank	96	Monroe	Monroe Bank and Trust	1,719
Croswell	Eastern Michigan Bank	12	Mt. Pleasant	Isabella Bank and Trust	114
Crystal Falls	First National Bank	53	Munising	Peoples State Bank of Munising	22
Detroit	Bank One-Income Tax	2,488	Newberry	Tahquamenon Area Credit Union	15
	Bank One-Main Acct.	149,798	Norway	First National Bank	99
	Comerica Bank - Detroit	13,457	Ontonagon	Citizens State Bank	47
	Comerica Bank - ACH Service	7,296	Port Austin	Port Austin State Bank	7
Eastpointe	First State Bank	89	Rockford	Independent Bank - West Michigan	51
East Tawas	Huron Community Bank	43	St. Charles	Community State Bank	51
Escanaba	Northern Michigan National Bank	20	St. Ignace	First National Bank	133
	State Bank of Escanaba	99	Sault Ste. Marie	Central Savings Bank	134
Fenton	The State Bank	118		Soo Co-Op Credit Union	5
Flint	Citizens Banking Corporation	13,238	Shelby	Shelby State Bank	147
Gladstone	Bay Bank	4	Stockbridge	SSBBank	8
	First Bank Upper Michigan	113	Three Rivers	First National Bank	44
Grand Rapids	Fifth Third Bank	25,885	Wakefield	First National Bank	64
Hancock	Superior National Bank and Trust	122	West Branch	Firstbank, West Branch	82
Hastings	Sand Ridge Bank	56	Zeeland	Huntington National Bank	7,093
Hillsdale	Hillsdale County National Bank	71			
Ionia	Independent Bank	117	Total		249,695
	Ionia County National Bank	89			
Iron Mountain	First National Bank of Iron Mountain	34			

(a) Deposits represent the account balance reported on bank statements and include deposits which are in the process of being collected through the banking system. Deposits are rounded to the nearest thousand and are secured by \$747 million of collateral.

Bonds and Notes

The Michigan Constitution limits State general obligation debt to (1) short-term debt for State operating purposes, (2) short- and long-term debt for the purpose of making loans to school districts, and (3) long-term debt for voter-approved purposes.

Short-term debt for operating purposes is limited to an amount not in excess of 15 percent of undedicated revenues received during the preceding FY. Under the Michigan Constitution as implemented by statutory provisions, such debt must be authorized by the State Administrative Board and issued only to meet obligations incurred pursuant to appropriation and must be repaid during the FY in which it was incurred. Such debt does not require voter approval.

The amount of debt incurred by the State for the purpose of making loans to school districts is recommended by the State Treasurer, who certifies the amounts necessary for loans to school districts semiannually. The bonds may be issued in whatever amount is required without voter approval. All other general obligation bonds issued by the State must be approved as to amount, purpose, and method of payment by a two-thirds vote of each house of the Legislature and by a majority vote of the public at a general election.

There is no limitation as to number or size of such general obligation issues.

General Obligation Debt

All current general obligation bond and note issues are presented in Table 6, *General Obligation Debt, Bond and Note Payments*, below. During fiscal 2004, the State issued new debt for \$215.2 million to fund the School Bond Loan, Environmental and Great Lakes Water Quality Programs. The State also issued \$138.7 million to refund existing debt at a lower rate.

Special Authority Revenue Bond Debt

Certain governmental authorities issue revenue bonds for construction projects and to acquire or build facilities for the State or its institutions of higher learning. These bonds, as shown in Table 7, *Special Authority Revenue Bond Debt*, are obligations of the individual authorities and are not direct general obligations of the State.

Special Revenue Debt

The State periodically issues long-term bonds for specific purposes, as presented in Table 10, *Special Revenue Debt, Bond and Note Payments*. These issues are not supported by the State's general credit, and their financing comes strictly from the designated revenue sources.

Table 6

General Obligation Debt, Bond and Note Payments (In Thousands of Dollars)

Item		Issue Date	Maturity Dates	New Issues	Principal Payments	Interest Payments	Outstanding Principal as of 9-30-04
School Bond Loan (a)	Series 1995	1995	1996-2015	\$ -0-	\$ 7,530	\$ 1,445	\$ 24,915 *
	Series 1998	1998	2000-2017	-0-	6,695	3,258	65,740 *
	Series 2001 (Refunding)	2001	2002-2016	-0-	70	4,626	85,105
	Series 2001A Multi-Modal	2001	2005-2021	-0-	81,300	749	-0-
	Series 2001C Multi-Modal	2001	2019-2021	-0-	-0-	436	45,880
	Series 2002A Multi-Modal	2002	2005-2021	-0-	-0-	52	31,010
	Series 2002 (Refunding)	2002	2003-2015	-0-	300	4,343	84,825
	Series 2002B Multi-Modal	2003	2018-2021	-0-	825	445	46,475
	Series 2003A Multi-Modal	2003	2019-2021	-0-	61,530	335	-0-
	Series 2003B Multi-Modal	2003	2008-2010	-0-	-0-	31	3,250
	Series 2003C Multi-Modal	2003	2008-2010	-0-	4,685	23	-0-
	Series 2003D Multi-Modal	2003	2017-2021	23,880	23,880	127	-0-
	Series 2003E Multi-Modal	2003	2017-2021	27,150	27,150	170	-0-
	Series 2004A Multi-Modal	2004	2020-2024	203,150	-0-	-0-	203,150
	Series 2004B Multi-Modal	2004	2020-2024	35,130	-0-	-0-	35,130
Environmental Protection (b)	Series 1989	1989	1994-2019	-0-	1,297	2,083	7,580 *
	Series 1992	1992	2005-2012	-0-	1,151	5,616	77,854 *
	Water Pollution 1992	1992	1994-2012	-0-	730	471	7,260
	Water Pollution 1993	1993	1995-2013	-0-	910	527	10,090
	Series 1995	1995	1996-2019	-0-	4,928	5,080	77,618 *
	Series 1998	1998	1998-2017	-0-	-0-	946	19,905 *
	Series 2000	2000	2001-2020	-0-	1,985	981	16,940 *
	Series 2001 (Refunding)	2001	2002-2016	-0-	-0-	4,681	86,140
	Series 2002 (Refunding)	2002	2004-2015	-0-	-0-	6,869	132,805
	Series 2003	2003	2007-2021	-0-	-0-	1,295	38,000
Recreation (c)	Series 2004A	2004	2010-2024	38,898	-0-	-0-	38,898
Clean Michigan Initiative (d)	Series 2001 (Refunding)	2001	2002-2004	-0-	30	589	11,755
	Series 2002 (Refunding)	2002	2005-2012	-0-	-0-	1,034	22,935
Great Lakes Water Quality (e)	Series 1999A	1999	2003-2019	-0-	-0-	1,189	22,440 *
	Series 2001	2001	2003-2019	-0-	1,875	2,756	54,885
	Series 2002 (Refunding)	2002	2004-2016	-0-	-0-	3,146	59,790
	Series 2003	2003	2007-2021	-0-	-0-	5,522	162,000
	Series 2004A	2004	2010-2024	472	-0-	-0-	472
Total General Obligation Debt	Series 2004B	2004	2006-2009	15,145	-0-	-0-	15,145
	SWQIF 2003	2003	2053	10,000	-0-	-0-	10,000
				\$353,825	\$226,871	\$58,825	\$1,497,992

(a) P.A. 112 of 1961 as amended, provides that the State may borrow from time to time such amounts as shall be required for the purpose of making loans to school districts. Requirements are determined semiannually and General Obligation debt is issued as needed.

(b) P.A. 328 of 1988, provided for the issuance of \$660 million General Obligation Bonds, of which \$34.9 million remains.

(c) P.A. 329 of 1988, provided for the issuance of \$140 million General Obligation bonds, all of which have been issued.

(d) P.A. 284 of 1998 and P.A. 451 of 1994 as amended, provided for the issuance of \$675 million General Obligation bonds, of which \$331.2 million remains.

(e) On December 18, 2003, the State issued \$100 million in general obligation Great Lakes Water Quality Bonds pursuant to voter authorization which were placed with a State Authority. The State has currently only recognized \$10.0 million of this total, which is subject to repurchase by the State upon 10 days notice, as a liability in the State of Michigan Comprehensive Annual Financial Report. The remaining \$90.0 million may be recognized as a liability in the future.

* All or part of the principal amount not presented and not represented in the totals due to the advanced refunding of all or part of this obligation. The table below summarizes the advanced refunding activity by type of bond.

Series	Advanced Refunded From Series	Amount Refunded	FY 04 Paid From Escrow Principal	FY 04 Escrow Interest	FY 04 Escrow Balance
General Obligation Debt:					
School Bond Loan	2001, 2002	\$ 172,365	\$ -0-	\$ 9,228	\$ 172,365
Environmental Protection	1995, 2001, 2002	213,518	9,235	10,200	193,310
Clean Michigan Initiative	2002	59,325	3,190	3,233	56,135
		\$ 445,208	\$ 12,425	\$ 22,661	\$ 421,810

Table 7



Special Authority Revenue Bond Debt ^(a) (In Thousands of Dollars)

Item	New Issues	Principal Payments	Interest Payments	Outstanding Principal as of 9-30-04
Mackinac Island State Park Commission	\$ -0-	\$ 220	\$ 122	\$ 2,100 *
Michigan State Housing Development Authority (b)	114,907	243,226	73,455	1,713,065
Michigan State Hospital Finance Authority (c)	332,130	371,876	260,626	4,093,523 *
Michigan Higher Education Facilities Authority	97,775	47,465	14,148	384,010 *
Michigan Higher Education Student Loan Authority	613,800	52,780	26,663	1,860,440
Michigan Municipal Bond Authority	1,266,162	898,217	125,793	3,435,178
Michigan State Building Authority (d)	547,940	573,075	127,405	2,544,580 *
Michigan Underground Storage Tank Financial Assurance Authority	-0-	16,770	7,064	104,780
Michigan Public Educational Facilities Authority	19,000	14,890	143	19,000
Michigan Broadband Development Authority	-0-	-0-	300	50,000
Michigan Family Farm Development Authority	-0-	36	N/A	1
Total Special Authority Revenue Bond Debt	\$2,991,714	\$2,218,555	\$635,719	\$14,206,677

* All or part of the principal amount not presented and not represented in the totals due to the advance refunding of all or part of this obligation.

- (a) Not administered by Department of Treasury. Information in the table is provided by each Authority. Does not include the activity of the Michigan Strategic Fund.
- (b) The new issues include \$72 million of new bond issues plus \$1.1 million of capital appreciation for the FY.
- (c) Balance includes \$3,900 million in bonds and \$192.4 million in Hospital Equipment Loan Program notes (HELP). Balance does not include MSHFA obligations that have been advance refunded. In FY 2004, net escrow payment activity was \$46.1 million leaving an escrow principal liability as of September 30, 2004 of \$1,275.3 million.
- (d) Balance includes accreted value at year-end on outstanding Capital Appreciation Bonds. Balance does not include \$2,761.6 million in SBA obligations that have been advance refunded. The escrow principal liability as of September 30, 2004 was \$685.6 million. Also, outstanding principal balance does not include commercial paper notes issued by the Authority. As of September 30, 2004, \$449.2 million of commercial paper notes was outstanding.

Table 8



General Obligation Bond Payment Schedule (In Thousands of Dollars)

For Period Ended September 30	Principal	Interest	Total
2005	\$ 51,178	\$ 72,894	\$ 124,072
2006	58,308	69,125	127,433
2007	71,955	68,732	140,687
2008	77,744	64,036	141,780
2009	78,602	63,206	141,808
2010	82,269	59,686	141,955
2011	87,446	51,339	138,785
2012	88,875	49,956	138,831
2013	100,710	38,180	138,890
2014	102,805	32,790	135,595
2015	102,905	27,314	130,219
2016	76,820	22,500	99,320
2017	57,315	19,079	76,394
2018	47,365	16,704	64,069
2019	52,415	14,592	67,007
2020	99,875	11,541	111,416
2021	95,795	7,770	103,565
2022	50,650	4,560	55,210
2023	50,755	2,785	53,540
2024	50,870	1,007	51,877
2025	3,335	58	3,393
Thereafter (a)	10,000	-0-	10,000
Total (b)	\$1,497,992	\$697,854	\$2,195,846

(a) On December 18, 2003, the State issued \$100 million in general obligation Great Lakes Water Quality Bonds pursuant to voter authorization which were placed with a State Authority. The State has currently only recognized \$10.0 million of this total, which is subject to repurchase by the State upon 10 days notice, as a liability in the State of Michigan Comprehensive Annual Financial Report. The remaining \$90.0 million may be recognized as a liability in the future.

(b) Includes \$364.9 million in State of Michigan Multi-Modal General Obligation School Loan Bonds, \$38.9 million in State of Michigan Multi-Modal General Obligation Environmental Program Bonds and \$15.6 million in State of Michigan Multi-Modal General Obligation Clean Michigan Initiative Bonds, assuming a 3.5% interest rate and maturing in years 2007 through 2025.

Table 9



Bonds and Notes Payable by Fiscal Year (In Thousands of Dollars)

Item	Outstanding on September 30				
	2000	2001	2002	2003	2004
GENERAL OBLIGATION DEBT					
School Bond Loan	\$ 316,370	\$ 386,000	\$ 448,290	\$ 550,135	\$ 625,480 *
Environmental Protection	421,652	480,565	453,816	485,163	513,090 *
Recreation	65,341	39,460	34,750	34,750	34,690
Clean Michigan Initiative	96,860	92,290	144,420	300,990	314,732
Great Lakes Water Quality	-0-	-0-	-0-	-0-	10,000
Total General Obligation Debt	\$ 900,223	\$ 998,315	\$ 1,081,276	\$ 1,371,038	\$ 1,497,992
NON-GENERAL OBLIGATION DEBT					
Michigan Department of Transportation Tax Dedicated Bonds	\$ 801,830	\$ 1,081,119	\$ 1,126,763	\$ 1,123,900	\$ 1,268,814 *
MDOT Grant Anticipation Notes	-0-	400,000	600,000	600,000	600,000
Michigan Department of Natural Resources					
State Park Revenue Bonds	-0-	-0-	15,500	15,500	15,010
Special Authorities-Revenue Bonds and Notes: (a)					
Mackinac Island State Park Commission	2,805	2,725	2,530	2,320	2,100 *
Michigan State Housing Development Authority	2,058,321	2,010,900	2,030,891	1,841,384	1,713,065
Michigan State Hospital Finance Authority	3,735,500	3,751,233	3,845,458	4,087,137	4,093,523 *
Michigan Higher Education Facilities Authority	228,845	293,575	334,330	340,485	384,010 *
Michigan Higher Education Student Loan Authority	835,595	929,365	1,419,340	1,299,420	1,860,440
Michigan Municipal Bond Authority	2,555,130	2,883,835	2,961,050	3,095,091	3,435,178
Michigan State Building Authority	1,957,803	2,159,314	2,582,134	2,606,760	2,544,580 *
Michigan Underground Storage Tank Financial Assurance Authority	166,870	152,520	137,450	121,550	104,780
Michigan Public Educational Facilities Authority	-0-	-0-	-0-	14,890	19,000
Michigan Broadband Development Authority	-0-	-0-	33,333	50,000	50,000
Michigan Family Farm Development Authority	410	181	81	37	1
Total Non-General Obligation Debt	\$12,343,109	\$13,664,767	\$15,088,860	\$15,198,474	\$16,090,501

* All or part of the principal amount not presented and not represented in the totals due to the advance refunding of all or part of this obligation.

(a) Does not include the activity of the Michigan Strategic Fund.

Table 10



Special Revenue Debt, Bond and Note Payments (In Thousands of Dollars)

Item		Issue Date	Maturity Dates	Amount issued	Principal Payments	Interest Payments	Outstanding Principal as of 9-30-04
Michigan Department of Transportation							
Tax Dedicated Bonds Michigan Comprehensive Transportation:							
	RF. SR. 1996-A	1996	2014	22,650	\$ 1,055	\$ 1,137	\$ 20,225
	RF. SR. 1998-A	1998	2010	38,640	-0-	1,901	38,640
	RF. SR. 2001-A	2001	2021	27,765	-0-	1,410	27,765
	RF. SR. 2002-A	2002	2011	89,620	11,110	4,119	67,855
	Series 2002-B	2002	2022	82,310	2,680	4,258	79,630
	Series 2003	2003	2023	35,020	1,480	1,128	33,540
State Trunkline Fund:							
	Series 1989-A	1989	2019	135,780	2,220	3,735	8,975 *
	Series 1992-A	1992	2021	253,618	-0-	-0-	30,038 *
	RF. SR. 1992-B I & II	1992	2021	99,592	-0-	-0-	4,612 *
	Series 1994-A	1994	2024	150,000	6,575	345	3,285 *
	RF. SR. 1994-B	1994	2002	90,990	-0-	-0-	-0-
	SR. 1996-A	1996	2026	54,500	2,285	312	3,410 *
	RF. SR. 1998-A	1998	2026	377,890	-0-	19,455	377,890
	Series 2001-A	2001	2030	308,200	105,000	15,632	197,760
	RF. SR. 2002	2002	2021	97,870	11,840	4,438	86,030
	RF. SR. 2004	2002	2021	103,450	-0-	-0-	103,450
	Series 2004	2004	2019	185,710	-0-	-0-	185,710
MDOT Grant Anticipation Notes:							
	Series 2001-A,B,C,D	2001	2008	400,000	-0-	3,778	400,000
	Series 2002-A,B,C,D	2004	2009	200,000	-0-	1,889	200,000
Michigan Department of Natural Resources							
State Park Revenue Bonds							
	Series 2002	2002	2022	15,500	490	577	15,010
Total Special Revenue Debt					\$144,735	\$64,114	\$1,883,825

* All or part of the principal amount not presented and not represented in the totals due to the advance refunding of all or part of this obligation. The table below summarizes the advance refunding activity by type of bond.

Series	Advanced Refunded From Series	Amount Refunded	FY 04 Paid From Escrow Principal	Interest	FY 04 Escrow Balance
Special Revenue Debt:					
Trunkline Transportation					
	1998A, 2002, 2004	\$268,280	\$-0-	\$9,378	\$268,280
		<u>\$268,280</u>	<u>\$-0-</u>	<u>\$9,378</u>	<u>\$268,280</u>

State Tax Collections

State taxes and fees totaling \$20,389,235 (in thousands) were collected during FY 2004, which is a decrease of 0.1 percent over the previous FY.

During FY 2004, a number of changes were enacted to tax rates including reducing individual income tax and single business tax rates.

Major tax collections for FY 2004 and the previous four years are detailed in Table 11, *Treasury Administered Taxes and Fees Collected on a Cash Basis*, below.

Table 12, *Michigan State Taxes*, identifies all Michigan taxes and gives administrative information about each.

Table 11



Treasury Administered Taxes and Fees Collected on a Cash Basis (In Thousands of Dollars)

Type of Revenue	10-1-99 to 9-30-00	10-1-00 to 9-30-01	10-1-01 to 9-30-02	10-1-02 to 9-30-03	10-1-03 to 9-30-04
Income Tax:					
Withholding Tax	\$ 6,715,569	\$ 6,636,961	\$ 6,438,241	\$ 6,334,996	\$ 6,343,678
Individual Income Tax	778,805	695,484	521,286	431,889	496,135
Individual Income Tax Estimates	866,548	784,278	635,691	592,986	602,043
Individual Income Tax Penalty and Interest	22,489	21,219	22,802	18,789	19,193
Gross Individual Income Tax Collections	8,383,411	8,137,942	7,618,020	7,378,660	7,461,049
Tax Refunds and Tax Credits (a)	(1,136,887)	(1,298,637)	(1,357,672)	(1,532,963)	(1,548,788)
Net Individual Income Tax	\$ 7,246,524	\$ 6,839,305	\$ 6,260,348	\$ 5,845,697	\$ 5,912,261
Single Business Tax	\$ 2,520,405	\$ 2,356,745	\$ 2,280,168	\$ 2,179,850	\$ 2,062,609
Single Business Tax Penalty and Interest	61,126	71,375	68,675	70,092	48,105
Gross Single Business Tax	2,581,531	2,428,120	2,348,843	2,249,942	2,110,713
Tax Refunds	(217,096)	(263,972)	(296,604)	(293,203)	(251,007)
Net Single Business Tax	\$ 2,364,435	\$ 2,164,148	\$ 2,052,239	\$ 1,956,739	\$ 1,859,706
Airport Parking Tax	\$ 16,804	\$ 17,522	\$ 14,135	\$ 14,342	\$ 14,737
Airport Parking Tax Penalty and Interest	.21	1.45	.35	.82	1
Cigarette Tobacco Products Tax	592,124	581,957	622,223	874,441	932,131
Cigarette Tobacco Products Tax Penalty and Interest (b)	424	186	92	304	(35)
Commercial Mobile Radio Service Tax	12,303	22,501	24,734	27,449	28,638
Convention Facility Tax	18,239	17,872	15,775	15,676	15,858
Convention Facility Tax Penalty and Interest	26	7	27	4	53
Estate Tax (c)	163,245	159,055	141,475	106,819	80,968
Gas and Oil Privilege Fee	6,460	12,533	5,107	5,749	4,915
Gas and Oil Severance Tax	40,804	60,771	34,647	54,085	49,478
Industrial/Commercial Facilities Tax	144,878	130,634	149,889	156,406	154,267
Inheritance Tax (c)	405	488	509	239	293
Insurance-Retaliatory Tax	155,191	194,996	218,651	229,654	233,895
Intangibles Tax (d)	1,075	(133)	608	(994)	70
Motor Fuel Taxes	1,081,026	1,066,554	1,098,032	1,100,343	1,073,002
Non-Cigarette Tobacco Products Tax	15,607	16,552	18,837	18,142	23,939
Real Estate Transfer Tax	250,663	262,682	254,237	257,537	318,029
Sales Tax	6,240,769	6,364,641	6,492,547	6,408,508	6,457,613
Sales, Use, Withholding Penalty and Interest	57,567	51,001	52,452	44,597	44,270
State Education Tax	1,337,391	1,428,681	1,578,743	1,776,174	1,542,252
State Housing Development Service Fee	5,864	7,578	7,911	8,409	9,092
Underground Regulatory Fee	59,567	57,912	60,929	58,459	58,422
Use Tax	1,327,630	1,343,760	1,315,629	1,236,133	1,317,494
Utility Property Tax	156,666	103,223	140,841	133,276	114,702
Other Taxes and Fees (e)	52,858	47,037	56,977	85,143	143,183
TOTAL	\$ 21,348,545	\$ 20,951,464	\$ 20,617,594	\$ 20,413,332	\$ 20,389,235

(a) Temporary Assistance to Needy Families (TANF) funded by the Federal government reduced income tax refunds by \$56 million in FY 2002.

(b) Cigarette - Tobacco Products Tax Penalty and Interest refunds paid exceed Penalty and Interest revenues collected in FY 2004.

(c) Public Act 54 of 1993 replaced the Inheritance Tax for dates of death after September 30, 1993 with the Estate Tax.

(d) Public Act 5 of 1995 repealed Public Act 301 of 1939 regarding collection of Intangible Taxes. Refunds paid exceeded revenue collected in FY 2001 and FY 2003.

(e) Includes Court Fines, Fees & Assessments, Trailer Coach Parks Specific Tax, Commercial Forest Tax and Low Grade Iron Ore Specific Tax. As of FY 2004, this line item no longer includes Revenue from Escheated Estates.

Table 12



Michigan State Taxes (In Thousands of Dollars)

Tax Source	Year Adopted	Department Administered by	Payment Deadline	Net Cash Receipts 10-1-03 to 9-30-04	Disposition
Aircraft Registration	1923	Transportation	August 1	314	State Aeronautics Fund
Airport Parking	1987	TREASURY	15th of each month	14,737	State Aeronautics Fund; Specific Local Units
Aviation Fuel	1929	TREASURY	20th of each month	7,674	State Aeronautics Fund
Beer and Wine Excise	1933	Labor & Economic Growth	Monthly reports and/or stamps	51,580	General Fund
Casino Wagering	1999	Education	Daily	99,568	School Aid Fund, General Fund
Cigarette Tobacco Products	1947	TREASURY	20th of each month	932,131	Before July 1, 2004: 54.2% to School Aid Fund, 33% to General Fund, 6% to Healthy Michigan Fund, 6.8% to Local Units. After July 1, 2004: 41.6% to School Aid Fund, 10.4% to General Fund, 3.8% to Healthy Michigan Fund, 44.2% to Local Units
Non-Cigarette Tobacco Products	1994	TREASURY	20th of each month	23,939	Before July 1, 2004: 75.6% to School Aid Fund, 18.4% to General Fund, 6% Healthy Michigan Fund. After July 1, 2004: 100% to Local Units
Commercial Mobile Radio Service	1999	TREASURY	Last day of Feb., April, July & Oct.	28,638	Commercial Radio Suppliers and Counties, Public Safety Answering Points
Convention Facility Development	1985	TREASURY	15th of each month	15,858	Debt Service for Cobo Hall; Counties
Corporate Organization	1891	Labor & Economic Growth	At time of incorporation, admission or increase in stock	19,802	General Fund
Diesel Fuel	1947	TREASURY	20th of each month	119,218	Michigan Transportation Fund
Diesel Fuel Dealer License	1951	TREASURY	January 1	-0-	Michigan Transportation Fund
Estate	1994	TREASURY	Nine months following date of death	80,968	General Fund
Gas and Oil Privilege Fee	1973	TREASURY	25th of each month	4,915	General Fund
Gas and Oil Severance	1929	TREASURY	25th of each month	49,478	General Fund
Gasoline	1925	TREASURY	20th of each month	927,010	Michigan Transportation Fund
Horse Race Wagering	1933	Agriculture	At end of each day's racing	11,812	Agriculture Equine Industry Development Fund
Individual Income	1967	TREASURY	April 15	5,912,261	General Fund with 25.3% to School Aid Fund for the 4% rate and 25.95% to School Aid Fund for the 3.9% rate
Industrial/Commercial Facilities	1974	TREASURY	December 1	154,267	Local Units and School Aid Fund
Inheritance	1899	TREASURY	Within 105 days after death, except contingent transfers-due at vesting	293	General Fund
Insurance Company Retaliatory	1987	TREASURY	Last day of April, July, Oct. and Jan.	233,895	General Fund
Intangibles	1939	TREASURY	April 30, or last day of 4th month after end of taxpayer's tax year	70	General Fund
Liquified Petroleum Gas	1953	TREASURY	20th of each month	656	Michigan Transportation Fund
Liquor Excise - 4%	1957	Labor & Economic Growth	At the time of sale to retail licensees	32,405	School Aid Fund
Liquor Specific - 4%	1959	Labor & Economic Growth	At the time of sale to retail licensees	33,023	General Fund
Liquor Specific - 1.85%	1972	Labor & Economic Growth	At the time of sale to retail licensees	11,989	Liquor Purchase Revolving Fund
Liquor - 4% - Tourism and Convention Facilities	1985	Labor & Economic Growth	At the time of sale to retail licensees	32,516	Debt Service for Cobo Hall; Counties
Marine Fuel	1947	TREASURY	20th of each month	331	Michigan State Waterways Fund
Motor Carrier Diesel Fuel	1980	TREASURY	Last day of month following close of qtr.	18,078	Michigan Transportation Fund
Motor Carrier's Privilege	1923	Labor & Economic Growth	December 1	6,146	Michigan Transportation Fund
Motor Vehicle Weight or Value	1905	State	Owner's birthday	934,689	Michigan Transportation Fund
Real Estate Transfer	1994	TREASURY	County Treasurer remits to State on the 15th in the month after receipt	318,029	School Aid Fund
Sales	1933	TREASURY	15th and last day of each month for accelerated filers. 20th day of the month for non-accelerated filers.	6,457,613	72.9% to School Aid Fund, 5.8% to General Fund, 1% to Comprehensive Transportation Fund, 20.2% to Local Units, 0.1% to Other Restricted
Single Business	1975	TREASURY	April 30, or last day of 4th month after end of taxpayer's tax year	1,859,706	General Fund
State Education	1994	TREASURY	County Treasurer remits to State the month after receipt from Local Units	1,542,252	School Aid Fund
Snowmobile Registration	1968	State	October 1 (every 3rd year)	1,985	General Fund
Underground Regulatory	1989	TREASURY	10th and 25th of each month	58,422	Michigan Underground Storage Tank Financial Assurance Fund
Utility Property	1905	TREASURY	July 1 or 1/2 on Aug. 1, 1/2 on Dec. 1	114,702	General Fund
Use	1937	TREASURY	15th of each month	1,317,494	66.6% to General Fund, 33.4% to School Aid Fund
Watercraft Registration	1967	State	January 1 (every 3rd year)	9,647	17.5% to Michigan State Waterways Fund, 33.5% to Harbor Development Fund, 49% to Marine Safety Fund

Local Property Taxes

Local property taxes in Michigan are levied by local units of government - school districts, cities, counties, townships and villages. Each of Michigan's 83 counties then "equalizes" the local assessments.

Equalization ensures that similar properties in different areas are assessed equitably. Following county equalization, the State Tax Commission equalizes among counties.

Table 13 shows local, county and state equalized valuations for calendar year 2003 and the prior decade. This table also lists the total Taxable Valuation beginning with the 1994 tax year and lists the average tax rate (millage) for each year. Table 14 shows how property tax dollars are apportioned among the various taxing units.

Michigan taxpayers' local property tax burden is lessened substantially by an income tax credit for property taxes paid.

Table 13



Local Property Tax Valuation, Levies and Average Rates (In Millions of Dollars)

Calendar Year	Local Assessed Valuation	County Equalized Valuation	State Equalized Valuation	Taxable Valuation (a)	Total Taxes Levied	Average Rate (Mills) (b)	Homestead Average Rate (c)	Nonhomestead Average Rate
2003	\$ 369,404	\$ 369,525	\$ 369,525	\$ 288,957	\$ 11,269	39.00	31.81	49.74
2002	343,577	343,715	343,715	274,652	11,033	40.17	32.60	51.00
2001	312,429	312,519	312,896	257,712	10,251	39.78	32.12	50.72
2000	284,331	284,427	284,427	240,647	9,462	39.32	31.54	50.10
1999	260,964	261,002	261,002	228,096	8,933	39.16	31.40	49.76
1998	237,401	237,410	237,416	215,179	8,450	39.27	31.43	49.68
1997	216,682	216,745	216,745	202,616	7,952	39.25	31.36	49.63
1996	200,246	200,341	200,341	191,777	7,536	39.32	31.35	49.52
1995	186,262	186,388	186,395	185,530	7,081	38.88	31.00	48.79
1994	175,280	175,550	175,195	175,195 (a)	6,704	38.19	30.22	48.17
1993	167,651	167,877	167,731	- - -	9,501	56.64	- - -	- - -

(a) Beginning in 1994, property taxes have been levied against Taxable Value, not State Equalized Value.

(b) This is the Average Rate based on all classes of property. For 2003 only, the State Education Tax rate was 5.0, lowering average rates by 1.0 mill.

(c) Homesteads include those properties which receive the "homeowner's principal residence" exemption, and those which receive the "qualified agricultural property" exemption.

Table 14



Distribution of Local Property Taxes (In Thousands of Dollars)

Taxing Unit	Taxes Levied		Percent of Increase
	2002	2003	
City	\$ 2,016,791	\$ 2,108,628	4.55%
County	1,726,576	1,811,694	4.93%
Township	637,405	683,401	7.22%
Village	83,140	86,914	4.54%
School	4,921,482	5,134,551	4.33%
State Education Tax (a)	1,647,913	1,444,786	-12.33%
Totals	\$11,033,307 (b)	\$11,269,974 (c)	

(a) For 2003 only, the State Education Tax rate was lowered from 6.0 mills to 5.0 mills.

(b) \$714.1 million of the total property taxes levied in 2002 was refunded to taxpayers through the "circuit breaker" system of property tax credits against State income tax due or as a reimbursement if they exceed the income tax.

(c) \$747.5 million of the total property taxes levied in 2003 was refunded to taxpayers through the "circuit breaker" system of property tax credits against State income tax due or as a reimbursement if they exceed the income tax.

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